# DuPont Canada Inc.

Annual Report 2002

The miracles of science™

## Six-year Comparison

| (Amounts in thousands of dollars except where otherwise noted) | **2002** | 2001 | 2000 | 1999 | 1998 | 1997(1) |
|---|---|---|---|---|---|---|
| **Operating Results** | | | | | | |
| Net sales | **2 468 430** | 2 191 144 | 2 288 913 | 2 211 441 | 2 025 072 | 1 909 315 |
| Earnings before income taxes | **363 062** | 320 403 | 399 763 | 397 517 | 345 230 | 308 865 |
| Income taxes | **116 861** | 98 466 | 130 235 | 144 772 | 125 286 | 113 218 |
| Earnings from | | | | | | |
| – continuing operations | **247 509** | 221 555 | 269 455 | 252 745 | 219 944 | 195 647 |
| – discontinued operations | **–** | – | – | – | 78 828 | 16 480 |
| Net earnings | **247 509** | 221 555 | 269 455 | 252 745 | 298 772 | 212 127 |
| Cash flow from operations | **294 509** | 278 736 | 257 098 | 252 598 | 306 186 | 243 174 |
| **Financial Position** | | | | | | |
| Current assets | **1 169 399** | 1 427 730 | 1 347 437 | 1 276 963 | 1 169 154 | 756 837 |
| Current liabilities | **434 228** | 380 191 | 384 820 | 409 657 | 467 471 | 380 024 |
| Working capital – including cash resources | **735 171** | 1 047 539 | 962 617 | 867 306 | 701 683 | 376 813 |
| Net property, plant and equipment | **819 890** | 715 083 | 714 428 | 640 700 | 627 385 | 591 330 |
| Accumulated depreciation | **889 278** | 830 351 | 764 148 | 760 512 | 704 927 | 658 507 |
| Investments and other assets | **487 251** | 82 530 | 40 595 | 33 359 | 24 216 | 4 117 |
| Non-current assets of discontinued operations | **–** | – | – | – | – | 152 243 |
| Total assets | **2 482 360** | 2 231 003 | 2 105 903 | 1 951 022 | 1 820 723 | 1 504 527 |
| Other long-term obligations | **83 859** | 82 651 | 81 719 | 77 539 | 79 975 | 81 661 |
| Future income taxes, net | **120 523** | 72 581 | 66 677 | 75 285 | 63 609 | 56 254 |
| Non-current liabilities of discontinued operations | **–** | – | – | – | – | 10 517 |
| Shareholders' equity | **1 813 544** | 1 687 532 | 1 567 199 | 1 388 541 | 1 209 668 | 976 071 |
| **Data Per Common Share*** (in dollars) | | | | | | |
| Average number of common shares outstanding | **278 916 960** | 278 385 377 | 278 377 124 | 279 134 466 | 279 144 903 | 278 379 402 |
| Net earnings | | | | | | |
| – continuing operations | **0.89** | 0.80 | 0.97 | 0.91 | 0.79 | 0.70 |
| – total | **0.89** | 0.80 | 0.97 | 0.91 | 1.07 | 0.76 |
| – diluted | **0.88** | 0.79 | 0.96 | 0.90 | 1.06 | 0.76 |
| Dividends declared | | | | | | |
| – regular | **0.40** | 0.37 | 0.28 | 0.23 | 0.21 | 0.18 |
| – extraordinary | **–** | – | – | – | – | 1.00 |
| Book value (year-end) | **6.51** | 6.06 | 5.64 | 4.98 | 4.34 | 3.50 |
| Market value – high | **28.55** | 27.50 | 20.67 | 20.00 | 15.83 | 12.00 |
| – low | **20.53** | 14.67 | 11.67 | 13.33 | 10.50 | 9.67 |
| – year-end | **21.42** | 26.35 | 16.97 | 19.78 | 14.33 | 11.68 |
| **Financial Metrics** | | | | | | |
| Return on average common shareholders' equity(2) | **14.1** | 13.5 | 18.3 | 19.3 | 27.3 | 21.7 |
| Return on capital employed(3) | **13.3** | 13.0 | 17.3 | 18.2 | 25.7 | 20.5 |
| Debt as a percent of total capital(4) | **1** | 0 | 1 | 1 | 1 | 1 |
| Earnings from continuing operations as a percent of net sales | **10.0** | 10.1 | 11.8 | 11.4 | 10.9 | 10.2 |
| Current ratio(5) | **2.7** | 3.8 | 3.5 | 3.1 | 2.5 | 2.0 |
| **Other** | | | | | | |
| Expenditures on property, plant and equipment, net | **78 262** | 81 060 | 136 455 | 78 382 | 85 486 | 128 911 |
| Acquisitions | **423 930** | 10 578 | – | – | 21 265 | – |
| Depreciation and amortization | **92 738** | 82 122 | 72 070 | 66 022 | 57 414 | 53 318 |
| Average number of employees | **3 969** | 3 364 | 3 311 | 3 244 | 3 190 | 3 232 |

*Restated to reflect 3-for-1 stock split in 2001.

(1) Figures for 1997 have been restated to reflect discontinued operations recorded in 1998.

(2) Net earnings less preferred share dividends all as a percentage of average common shareholders' equity.

(3) Net earnings as a percentage of the sum of average total debt, future income taxes and shareholders' equity.

(4) Total debt as a percentage of the sum of total debt and shareholders' equity, all at year-end.

(5) Current assets divided by current liabilities, all at year-end.

**To Our Shareholders,**

We are pleased to present the 2002 Annual Report of DuPont Canada Inc.

On April 17, 2003, all shareholders were mailed materials relating to E.I. du Pont's offer to purchase all of DuPont Canada's outstanding Class A Common Shares, Series 1, not already held by our parent company, together with a Directors' Circular and fairness opinion from TD Securities Inc.

DuPont Canada's Board of Directors and a Special Committee of the Board have concluded that the offer is fair to minority shareholders, and the Board has recommended that shareholders accept the offer. TD Securities Inc., the financial advisor to the Special Committee, has concluded that the offer is fair from a financial point of view to DuPont Canada shareholders other than E.I. du Pont and its affiliates.

In view of the timing of the offer, a date to hold our Annual Meeting of Shareholders has not yet been finalized. We will send you a notice once the date has been determined and provide further information at that time. Details, when available, will also be posted on our website at www.ca.dupont.com.

As this process continues, we have decided to focus our 2002 Annual Report on the disclosure required by Canada's securities regulators, which details our financial results by segment.

We are very proud of the Company's strong performance in 2002 and the many talented individuals throughout DuPont Canada who have continued to reach for new heights, both financially and operationally.

Fiscal 2002 was a strong year for DuPont Canada. Record sales were $2,468 million, up 13% from 2001. Net earnings increased 12% to $247.5 million. Basic earnings per share grew $0.09 to $0.89. Diluted earnings per share were $0.88, compared with $0.79 last year.

These results reflect the efficiency of our operations and the continuing strategic alignment of our business operations to capitalize on opportunities globally, including the acquisition of Liqui-Box Corporation in May 2002.

Throughout this year of achievement and change, DuPont Canada's values – for safety, health, care and concern for people, protection of the environment, and personal and corporate integrity – have served as a compass, informing each decision made, and each action taken.

It is this strength and integrity, along with the efficiency of our operations and quality of our products, which give us great confidence in the future of DuPont Canada as the DuPont presence in Canada.

Along with our parent company, DuPont Canada remains committed to sustainable growth and to maximizing value for all stakeholders, by providing products and services that improve the quality of life for people around the world, with a minimal environmental footprint. This is our mission, and it will not change.

We are proud to be part of this great Company and global organization, and look forward to building on its many strengths into the future.

Sincerely,

Doug Muzyka

Dave Colcleugh

Doug Muzyka
President and Chief Executive Officer

Dave W. Colcleugh
Chairman

# Management discussion and analysis – segment operations

## Nylon Enterprise

| millions $ | 1997 | 1998 | 1999 | 2000 | 2001 | **2002** |
|---|---|---|---|---|---|---|
| Total segment sales | 643 | 715 | 784 | 807 | 769 | **823** |
| EBITDA | 162 | 188 | 214 | 191 | 146 | **206** |
| Depreciation and amortization | 25 | 32 | 37 | 39 | 44 | **44** |
| Earnings before income tax | 138 | 156 | 178 | 152 | 102 | **162** |
| Income taxes | 51 | 58 | 66 | 56 | 36 | **56** |
| After-tax operating Income | 87 | 99 | 112 | 96 | 66 | **106** |
| Segment assets | 529 | 594 | 613 | 680 | 652 | **654** |
| Expenditures on property, plant and equipment, net | 94 | 61 | 43 | 79 | 32 | **26** |

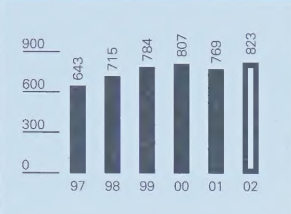
This segment produces nylon fibre and polymer at our Kingston, Ontario site and intermediate chemicals at our Maitland, Ontario site (primarily for nylon production). For Canadian customers, these products made in Canada are complemented with a full range of nylon fibre produced by other DuPont sites. Our Canadian-made nylon products, in turn, are exported to customers in a number of countries, and primarily in the United States.

Total 2002 segment sales of $823 million climbed $54 million or 7 per cent over 2001. Strong sales, led primarily by the Flooring Systems business unit, contributed to this rebound from last year.

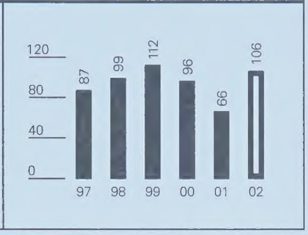
The Flooring Systems unit produces bulked continuous filament (BCF) yarns for the manufacture of residential and commercial carpets including DuPont's premium Stainmaster® and Antron® branded fibres, and for rugs and automotive interiors. Sales in 2002 grew 18 per cent to $413 million compared with last year, based on increased demand from the residential, automotive and rug markets. The commercial market remained weak throughout 2002. The unit continued to actively promote the DuPont brand in the Canadian marketplace, including opening the country's first DuPont Flooring Centre™ retail stores in Ontario and Alberta. These centres are independently owned and have an extensive selection of DuPont™ Stainmaster® brand carpeting.

The Nylon Industrial Specialties business unit produces and markets a wide range of high-strength, durable nylon yarns for Canadian and global markets. Our Kingston site is DuPont's primary global, and only North American, producer of light- and mid-decitex yarns for critical automotive air bag applications. These fibres are also used for industrial sewing thread, webbing, cordage and industrial fabrics. Canadian customers have access to DuPont's full line of specialty industrial yarns. Although 2002 got off to a weak start, markets improved and the unit finished the year with a total of $232 million in sales, up 6 per cent over last year. Demand for air bag fibre, industrial yarn and sewing thread gained strength throughout the year.

**Total Segment Sales**
(millions $)




**Segment After-Tax Operating Income**
(millions $)




The Nylon Intermediates business unit produces adipic acid and hexamethylenediamine (the two ingredients required to manufacture nylon polymer), dibasic esters (a coatings solvent), and Dytek® A (a chemical used in the manufacture of pharmaceuticals, vitamins and polymers). The unit also produces a food-grade adipic acid used in a variety of food products, such as gelatin. Total sales of $131 million represented a decline of $10 million or 7 per cent below 2001. Demand was particularly strong for Dytek® A in the specialties market.

Sales of $47 million for the Nylon Apparel business unit were $14 million or 23 per cent below 2001, as a result of general softness in the North American apparel markets.

**Outlook**

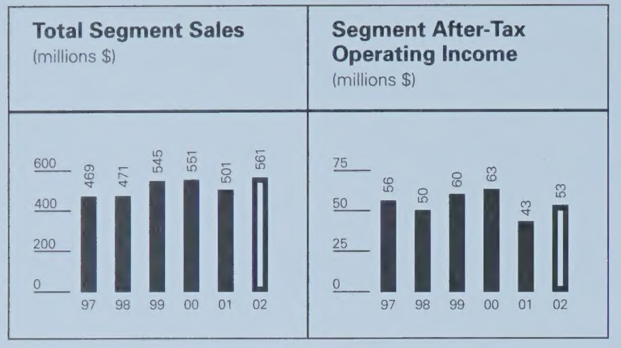
The business units in this segment are cautiously optimistic about 2003. While there is uncertainty in the North American automotive markets, continued strength in new and resale housing, anticipated additional sales of air bag fibre to the Asia/Pacific region, and increased use of side air bags in more vehicles could help offset any overall decline. Softness in the North American apparel markets is expected to remain largely unchanged.

## Performance Coatings and Polymers

| millions $ | 1997 | 1998 | 1999 | 2000 | 2001 | **2002** |
|---|---|---|---|---|---|---|
| Total segment sales | 469 | 471 | 545 | 551 | 501 | **561** |
| EBITDA | 97 | 85 | 102 | 107 | 73 | **87** |
| Depreciation and amortization | 9 | 6 | 6 | 7 | 7 | **6** |
| Earnings before income tax | 89 | 79 | 96 | 100 | 66 | **81** |
| Income taxes | 33 | 29 | 35 | 37 | 23 | **28** |
| After-tax operating Income | 56 | 50 | 60 | 63 | 43 | **53** |
| Segment assets | 186 | 167 | 165 | 170 | 156 | **174** |
| Expenditures on property, plant and equipment, net | 10 | 5 | 6 | 15 | 5 | **4** |

This segment manufactures automotive finishes at our Ajax, Ontario site for original equipment manufacturers (OEMs), producers of painted plastic components and body shops. At our Kingston and Maitland sites, we produce nylon-based engineering polymers used by custom moulders, mainly in North America. We also distribute to Canadian customers DuPont's full line of automotive finishes and engineering polymers, the elastomeric products of the DuPont Dow Elastomers joint venture, and the specialty polymers produced by Ferro Corporation.

In 2002, this segment's sales totaled $561 million, which were $60 million or 12 per cent higher than 2001. Robust demand for products from our Engineering Polymers business unit was a key reason for this strong result, with our Performance Coatings unit also making a positive contribution.




The Engineering Polymers business unit produces a wide range of Zytel® nylon resins used in the automotive, electronics, sporting goods and commercial/industrial durable markets in Canada and around the globe. We also offer to Canadian customers DuPont Delrin® acetal resin and Crastin® PBT thermoplastic polyester resin, Rynite® PET thermoplastic, Zenite® LCP and Hytrel® polyester elastomer. Sales revenue in 2002 was $290 million, an increase of $48 million or 20 per cent ahead of 2001. Demand from the auto sector and strong domestic and export sales kept the unit's Maitland and Kingston manufacturing facilities operating at high rates throughout the year.

The Performance Coatings business unit is the leading supplier of automotive finishes in Canada. The unit's Ajax, Ontario manufacturing facility is the DuPont centre in North America for the manufacture of coatings used by the plastic auto parts industry. Sales in 2002 reached $234 million, which was an increase of $15 million or 7 per cent above last year. The unit saw demand strengthen from North American OEMs, and particularly from U.S. customers. The Refinish part of the unit, while seeing some improvement in sales to the transportation market (including heavy-duty trucks and agricultural vehicles), continued to experience a highly competitive business environment in the auto body collision repair market.

The Other Polymers business units serve the automotive, construction, consumer products, building and renovation, industrial, electrical, and selected other markets. The business units had sales of $38 million in 2002, down $3 million or 6 per cent from last year. These units are the exclusive Canadian distributors for the DuPont Dow Elastomers joint venture, Ferro Corporation, and Phoenix Plastics Inc.

**Outlook**

Modest growth is anticipated for this segment in 2003.

## Specialty Fibres

| millions $ | 1997 | 1998 | 1999 | 2000 | 2001 | **2002** |
|---|---|---|---|---|---|---|
| Total segment sales | 193 | 205 | 208 | 222 | 216 | **212** |
| EBITDA | 31 | 28 | 31 | 37 | 39 | **36** |
| Depreciation and amortization | 2 | 3 | 3 | 3 | 3 | **3** |
| Earnings before income tax | 28 | 25 | 28 | 34 | 36 | **32** |
| Income taxes | 10 | 9 | 10 | 13 | 13 | **11** |
| After-tax operating Income | 18 | 16 | 18 | 21 | 23 | **21** |
| Segment assets | 68 | 68 | 62 | 75 | 67 | **69** |
| Expenditures on property, plant and equipment, net | 4 | 4 | 1 | 8 | 2 | **1** |

This segment produces LYCRA® XA, an elastane fibre used in disposable diapers and adult incontinence products. We also offer DuPont's full range of LYCRA® fibre, Dacron® polyester fibres and yarns, Kevlar® and Nomex® aramid fibres, and Tyvek® spunbonded olefin.

Sales for this segment totaled $212 million in 2002, a decline of $4 million or 2 per cent below 2001. Results varied for the business units in this segment.

The LYCRA® business unit's sales of $92 million were down $9 million or 9 per cent from 2001, based on lower prices and softening in the North American apparel market. Demand for fibre for infant diapers and for adult incontinence products in North America remained fairly steady.

Sales by the Advanced Fibre Systems business unit reached $80 million, an increase of $7 million or 9% over last year. The unit experienced increased sales of Kevlar® for use in protective vests sold to law enforcement agencies and the military, and sales of Nomex® brand fibres for fire-resistant clothing and industrial and fire service applications.

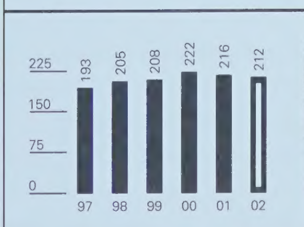
The Nonwovens business unit increased its 2002 sales of $28 million by $1 million or 4 per cent, compared with 2001. Strong demand for Tyvek® Homewrap® contributed to this growth, with sales being especially active in the Maritimes and British Columbia. This product is used in the construction industry as a protective weatherization membrane around residential and commercial buildings. Demand for Tyvek® for use in the graphic arts market also strengthened.

The Dacron® business unit supplies DuPont™ Dacron® polyester fibres and yarns to Canadian customers in the apparel, thermal insulation and sleep products markets. The unit had sales of $12 million, which fell $3 million or 21 per cent below 2001, given the weakness in the Canadian apparel markets.

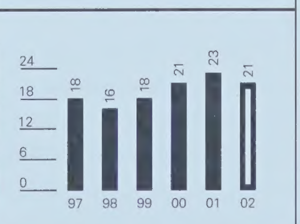
### Outlook

The business units in this segment are cautiously optimistic about results in 2003.

**Total Segment Sales**
(millions $)




**Segment After-Tax Operating Income**
(millions $)



## Specialty Materials

| millions $ | 1997 | 1998 | 1999 | 2000 | 2001 | **2002** |
|---|---|---|---|---|---|---|
| Total segment sales | 317 | 345 | 361 | 356 | 324 | **344** |
| EBITDA | 25 | 27 | 26 | 29 | 34 | **30** |
| Depreciation and amortization | 5 | 5 | 5 | 6 | 6 | **6** |
| Earnings before income tax | 20 | 22 | 21 | 23 | 28 | **24** |
| Income taxes | 7 | 8 | 8 | 9 | 10 | **9** |
| After-tax operating Income | 13 | 14 | 13 | 15 | 18 | **15** |
| Segment assets | 123 | 121 | 164 | 143 | 128 | **118** |
| Expenditures on property, plant and equipment, net | 2 | 3 | 3 | 3 | 5 | **2** |

This segment includes products such as crop protection chemicals for Canadian growers and Suva®-123, a hydrochlorofluorocarbon (HCFC) that we produce for use as a refrigerant in large industrial chillers and as a chemical intermediate in the production of other products. The full range of DuPont industrial chemicals, performance chemicals and safety systems are also offered to customers through the business units in this segment.

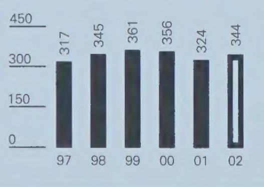
The segment's sales were $344 million in 2002, up $21 million or 6 per cent from last year, largely through the performance of our Agricultural Products and Titanium Technologies (formerly White Pigment) business units.

The Agricultural Products unit supplies DuPont crop protection products to Canadian farmers growing a wide variety of crops, including cereal grains, corn, canola, soybeans, potatoes and apples. In 2002, the unit achieved sales of $124 million, which represented an increase of $17 million or 16 per cent over 2001. This result was especially significant given the impact of damp weather in some areas of Canada and drought-like conditions in others. The unit benefited from strong demand for two new corn herbicides – Battalion™ and Accent® Total™ – and a positive response to the launch of its innovative VIP FarmCare® program.

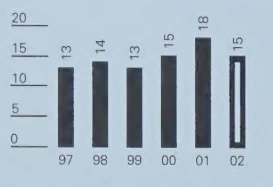
The Titanium Technologies unit supplies DuPont titanium dioxide to Canadian customers in the construction, plastics and coatings markets. Its 2002 sales were $107 million, up $6 million or 6 per cent from last year. Strong demand in each of its key markets contributed to this growth. The unit was also able to increase some prices and market share.

DuPont Canada is a major supplier of DuPont fluoroproducts to the Canadian market, including fluorochemicals and Teflon® fluoropolymers, and has international sales through global DuPont. Our Maitland facility is global DuPont's sole manufacturing site for Suva®-123, an alternative to chlorofluorocarbon (CFC) refrigerants. Total sales of $77 million in 2002 were essentially on a par with 2001.

**Total Segment Sales**
(millions $)




**Segment After-Tax Operating Income**
(millions $)



The DuPont Chemical Solutions Enterprise supplies a wide range of chemical products to Canadian industry. The unit's sales of $33 million were $2 million or 5 per cent above 2001. Increased demand for a number of the unit's specialty products contributed to this gain, along with growth in market share for chlorine dioxide used in water purification applications. The unit also acquired new business for Oxone®, a non-chlorine oxidizer used in the pulp and paper market. Sales of Krytox® performance lubricants to a major manufacturer of automotive bearings also helped to boost revenue.

**Outlook**

This segment is generally optimistic about 2003.

## Specialty Polymers and Films

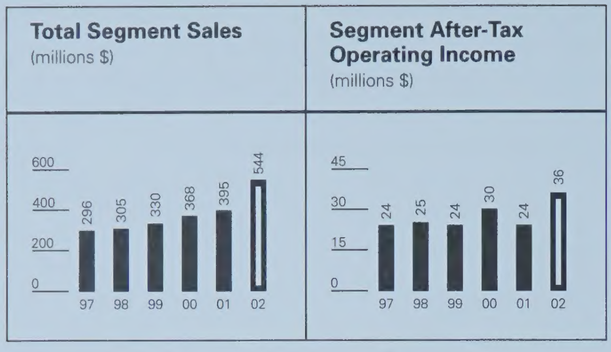
| millions $ | 1997 | 1998 | 1999 | 2000 | 2001 | **2002** |
|---|---|---|---|---|---|---|
| Total segment sales | 296 | 305 | 330 | 368 | 395 | **544** |
| EBITDA | 45 | 45 | 49 | 55 | 53 | **78** |
| Depreciation and amortization | 7 | 6 | 8 | 9 | 13 | **24** |
| Earnings before income tax | 38 | 39 | 41 | 46 | 40 | **54** |
| Income taxes | 14 | 15 | 16 | 16 | 16 | **19** |
| After-tax operating Income | 24 | 25 | 24 | 30 | 24 | **36** |
| Segment assets | 125 | 150 | 165 | 229 | 236 | **823** |
| Expenditures on property, plant and equipment, net | 13 | 5 | 10 | 11 | 10 | **27** |

Included in this segment is the Liquid Packaging Systems business unit, which combines Liqui-Box Corporation, Enhance Packaging Technologies Inc. and Prepac. The Modified Polymers business unit is also part of this segment, and operates a manufacturing site at Sarnia, Ontario. Our facility in Thetford Mines, Québec produces Zodiaq™ Quartz Surface products used in countertop and other interior applications that are both decorative and durable. In addition to these products manufactured in Canada, we offer global DuPont's full range of specialty films, polymers and printing and proofing products.

Segment sales of $544 million in 2002 were up $149 million or 38 per cent above 2001. While all of the business units in this segment made a positive contribution, the single largest came from the incremental revenue generated by the Liqui-Box operations.

This business unit offers customers a complete systems solution for liquids and pumpable foods for institutional and retail applications, including aseptic and refrigerated liquid food packaging systems. Specific examples include pouch containers, liquid packaging machines, blow-moulded containers, flexible bag-in-the-box containers, and customized filling systems. The global operations now include nine sites in the U.S., and one facility each in Canada, the United Kingdom, France and India. The unit recorded $265 million of revenue in 2002, a gain of $123 million or 87 per cent over 2001. Liqui-Box, whose results are included for the last 7 months from June 1st, accounted for $119 million of the improvement. Following the acquisition, a comprehensive integration process was launched that successfully combined the organizations to effectively offer customers the unit's full product line and provide a solid platform for DuPont Canada's future growth. Several new dairy customers in North and South America purchased liquid packaging systems, including the first-ever orders shipped to Chile and Peru. A record number of liquid packaging machines were shipped to China.

The Modified Polymers business unit employs sophisticated reactive extrusion technology to produce specialty polymers used as adhesives, compatibilizers and tougheners in packaging and industrial applications. The unit had $157 million in sales during 2002, an increase of $7 million or 5 per cent over its 2001 results. Almost all of the unit's product lines increased sales volumes, including Vamac™, an ethylene acrylic elastomeric polymer used to produce belts and hoses in critical automotive and industrial applications. Sales were also strong throughout the year for Bynel® co-extrudable adhesive resins, for use in food packaging applications, and for Fusabond® polymer modifiers and adhesives.




The offerings of the Packaging and Industrial Polymers business unit in Canada include Surlyn® ionomer resin, Surlyn Reflections® super gloss moulding alloys, and Elvax® ethylene-vinyl acetate copolymer resin. The unit achieved $42 million in sales during 2002, an increase of $1 million or 3 per cent over 2001.

DuPont Butacite® polyvinyl butyral is marketed to Canadian manufacturers of automotive and architectural glass. Total sales of $36 million in 2002 grew by $8 million or 26 per cent beyond last year, driven by the unit regaining market share.

The iTechnologies business unit supplies the Canadian printing industry with an integrated offering of Cyrel® flexographic printing plates, equipment and associated colour proofing materials. It also markets DuPont Kapton® film in Canada. The unit recorded $30 million of sales in 2002, which climbed $8 million or 38 per cent over last year. An expanded distribution arrangement for DuPont's proofing products was the primary factor for this revenue growth.

Our Thetford Mines facility, which manufactures Zodiaq™ quartz surface products, had sales of $14 million, which were up $2 million or 21 per cent from 2001. Positive recognition of the Zodiaq™ product line's unique properties by architects and designers helped to drive revenue. Improved yields also contributed to the unit's success.

**Outlook**

Growth is expected to continue to be strong in 2003, as the Liquid Packaging Systems business unit extends its global reach to new customers and markets.

## Management's Discussion and Analysis of the Consolidated Statements of Earnings and Retained Earnings

**Sales and other income:** 2002 net sales of $2 468 million rose by 13 per cent or $277 million, compared to $2 191 million in 2001, reflecting strength in a number of key markets and the impact of the acquisition of Liqui-Box. Sales in Canada were up by 3 per cent versus 2001 levels. Sales in countries outside Canada increased to a new record level of $1 325 million versus our previous record of $1 085 million in 2001. This increase of $240 million includes $119 million from Liqui-Box. Approximately 80 per cent of 2002 international sales were to DuPont global affiliates, compared to 87 per cent in 2001.

The **Nylon Enterprise** segment sales of $823 million increased by 7 per cent. Flooring Systems' products sales increased by 18 per cent versus last year, due to stronger demand in residential, automotive and rug markets. Sales of Nylon Industrial Specialties increased by 6 per cent, reflecting a stronger automotive and industrial market. Nylon Intermediates declined by 7 per cent versus 2001, reflecting lower sales to the global supply chain. Weak domestic and global apparel markets caused a 23 per cent decline in sales in the Apparel unit. The **Performance Coatings and Polymers** segment sales increased by 12 per cent to $561 million. The Performance Coatings business unit experienced a 7 per cent gain versus 2001 as a rebound in the automotive sector and the heavy-duty truck market improved results. Engineering Polymers sales for the year were 20 per cent above 2001 results, reflecting the rebound in the North American automotive sector. The **Specialty Fibres** segment sales declined by 2 per cent to $212 million. The Advanced Fibre System business unit had a strong year, recording a 9 per cent gain over 2001 as protective apparel had increased demand. The LYCRA® business unit sales were 9 per cent below last year, reflecting a combination of lower average selling prices and lower export volumes. The **Specialty Materials** segment sales increased by 6 per cent to $344 million. Titanium Technologies business unit (formerly White Pigment) increased by 6 per cent reflecting increased demand. Our Agricultural Product unit increased sales by 16 per cent versus 2001. The Fluoroproducts business unit's sales were equal to 2001. The **Specialty Polymers and Films** segment sales increased by 38 per cent to $544 million. Excluding the impact of Liqui-Box, which is included in this segment, sales were up by 8 per cent. Strong demand for products produced by the Modified Polymers business unit led to a 5 per cent growth over 2001. The combined Liqui-Box and Enhance Packaging Technologies Inc. business unit had sales 87 per cent higher than 2001, reflecting the impact of the acquisition. Sales of Butacite® increased by 26 per cent, reflecting growth in market share in the automotive sector.
Interest and other income of $15.6 million decreased by 64 per cent compared to 2001, due to a smaller investment portfolio.

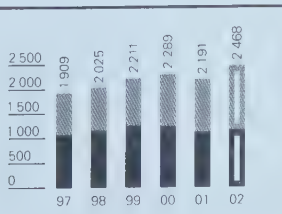
**Expenses:** The cost of goods sold and other operating charges were higher in 2002 due to the combined impact of higher volumes which were partially offset by lower energy and other input costs. Selling, general and administrative expenses were 14 per cent above 2001 levels. Depreciation and amortization charges rose by $10.6 million from 2001, due to additional charges for new property, plant and equipment and amortization of intangibles. We invested $17.6 million in research and development (net of affiliate reimbursements and other credits), an increase of 51 per cent over 2001 (see Note 2).

**Net Earnings** of $247.5 million reflected an increase of 12 per cent over 2001 earnings. Basic earnings per share of $0.89 and fully diluted earnings per share of $0.88 were both 9 cents higher than 2001.

**Outlook:** We are currently cautiously optimistic that 2003 will be another year of growth for our Company. Our outlook is tempered by geo-political uncertainties and their impact on major economic sectors and raw material prices. However, on balance, we are confident that the steps we have taken to increase our involvement in the food sector, expand our global presence and our overall continued focus on cost management leave us in a strong position to face the potential business environment challenges.

Management's expectations concerning the outlook relating to DuPont Canada as set forth in the preceding paragraph are subject to the uncertainty arising from the outstanding offer by a subsidiary of E.I. du Pont for the shares held by the minority shareholders of DuPont Canada and E.I. du Pont's plans for DuPont Canada in the event the offer is or is not successful (see "**Risks and Uncertainties** – Global DuPont Transformation" on page 17). Those plans as outlined in the takeover bid circular are not described with particularity and refer to matters which are inherently uncertain. Management is unable to determine the impact of these uncertainties on its expectations for DuPont Canada as set forth above.

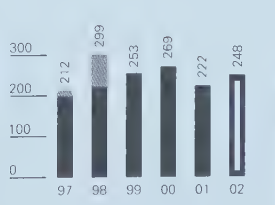
**Net Sales**
(millions $)




Domestic Sales
1 062 1 143 1 241 1 219 1 107 1 143

International Sales
847 882 970 1 070 1 084 1 325

**Net Earnings**
(millions $)




Continuing Operations
196 220 253 269 222 248

Discontinued Operations
16 79 0 0 0 0

## Management's Discussion and Analysis of the Consolidated Balance Sheets

**Overview:** While our liquidity position, as measured by the ratio of current assets to current liabilities, decreased in 2002 to 2.7:1 from 3.8:1 in 2001 as a result of the Liqui-Box acquisition, we retain an exceptionally strong balance sheet, with cash and cash equivalents of $456 million and no long-term debt.

**Cash and cash equivalents** decreased by $334.0 million during 2002, as a result of the acquisition of Liqui-Box. Our year-end investment portfolio consisted of $456.0 million of cash and cash equivalents. Our total receivables of $407.1 million increased by $49.1 million during 2002, which included an increase of $25.7 million in affiliate receivables and an increase in trade and other receivables of $23.4 million (essentially reflecting the impact of Liqui-Box). Total customer receivables, as measured by days sales outstanding, decreased to 56 versus 59 days at the end of 2001, reflecting the change in mix between third-party and affiliate sales. During 2002, customer business failures resulted in bad debts totaling $1.4 million (net of recoveries of $0.2 million), compared to $2.5 million (net of recoveries of $0.2 million) in 2001. Total inventories rose by 19 per cent to $276.3 million, largely reflecting the additional inventory of the Liqui-Box business. We ended the year with a 67-day supply of inventory, compared to a 72-day supply at the end of 2001, reflecting higher inventory turns.

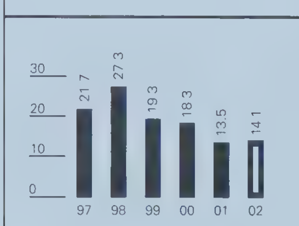
**Property, plant and equipment** increased by $104.8 million during the year (see Note 6). This increase largely resulted from capital expenditures of $78.3 million and capital assets obtained during the Liqui-Box acquisition of $112.9 million reduced by depreciation charges of $87.5 million. **Goodwill** increased to $259.6 million and **Intangible assets** increased to $143.5 million, reflecting the Liqui-Box acquisition (see Note 10). **Deferred pension** increased by $16.8 million. **Other assets** increased by $2.4 million to $18.6 million.

**Accounts payable** increased by $40.4 million, essentially due to higher year-end affiliate payables and the addition of Liqui-Box. Dividends payable remained essentially flat. Other long-term obligations increased by $1.2 million, consisting of a $1.9 million increase in post-retirement benefits other than pension and a $0.7 million decrease in **Long-term obligations – other**.

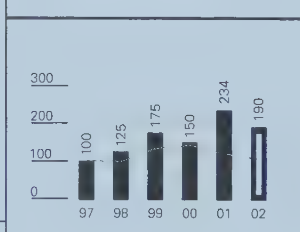
Capital stock increased by $19.0 million. During 2002, we issued 1 195 650 shares of common stock under the Employee Stock Option Plan at an average option price of $10.71 per share and a further 288 048 common shares under the Performance Sharing Program at an average of $24.00 per share for combined proceeds of $19.7 million (see Note 5). To offset the current and anticipated dilution from these employee share-related programs, we purchased 1 401 850 common shares on the open market at an average per share cost of $24.76, for a total cost of $34.7 million. As at December 31, 2002, our cumulative re-purchases of common shares had fully offset the dilution impact of the 4 550 100 unexercised common share options outstanding as of that date, with an additional 657 965 in anticipation of share-related employee plan requirements.

During 2002, retained earnings increased by $101.9 million. Net earnings from operations of $247.5 million were partially offset by dividends of $111.6 million and share purchase-related charges of $34.0 million. Our return on average common shareholders' equity was 14.1 per cent for 2002, up from 13.5 per cent in the prior year. Over the five-year period ending 2002, we have achieved an average return of 18.5 per cent.

**Return on Equity**
(per cent)




**Shareholder Cumulative Total Return**
($)




DuPont Canada
100 125 175 150 234 190

S&P/TSX Composite Price Index
100 98 130 139 122 107

Assumes an investment of $100 on December 31, 1997 and reinvestment of dividends

## Management's Discussion and Analysis of the Consolidated Statements of Cash Flows

**Overview:** Our net cash and cash equivalents decreased by $334.0 million to a total of $456.0 million at the end of 2002.

**Cash flow from operating activities** of $294.5 million was an increase of $15.8 million from the $278.7 million generated in 2001. Total non-cash charges in the earnings statement amounted to $86.1 million comprised largely of depreciation and amortization of $92.7 million offset by changes in future income taxes. Investment in working capital increased by $23.9 million (see Note 9). During the year, we provided funding of $17.2 million for the Company's Pension Plan activities, the net effect of which was a $14.8 million reduction in reported cash flow.

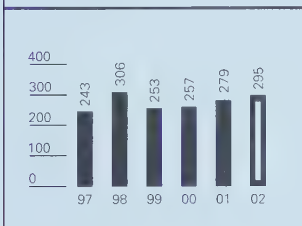
During 2002, we invested $78.3 million in property, plant and equipment and authorized new capital projects totaling $62.2 million, 41 per cent less than the $105.0 million authorized in 2001. At year-end, we carried forward $52.9 million of unexpended project activity to 2003 for completion versus $57.3 million carried forward in 2001. **Acquisitions** reflect the purchase of Liqui-Box Corporation (see Note 10) of $424 million.

During 2002, we issued 1 483 698 shares of common stock under employee compensation programs for combined proceeds of $19.7 million and purchased 1 401 850 common shares on the open market for a total cost of $34.7 million.

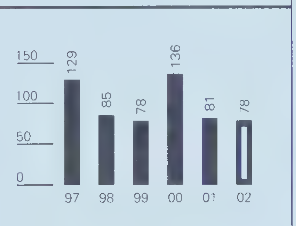
We declared regular quarterly dividends totaling $111.6 million in 2002, an increase of 7 per cent over the prior year. The total year payout of 40 cents per share (vs. 37.33 in 2001) reflected an increase in our regular quarterly dividend rate made in the second quarter of 2001. In 2001, the Corporation changed its target for regular dividends to achieve sustainable dividend payouts in the range of 30 to 50 per cent of cash flow from operations, excluding the impact of non-recurring items and fluctuations in working capital. The dividend rate is reviewed quarterly. During the term of the "Support Agreement" dated March 19, 2003 entered into by the Corporation with E.I. du Pont de Nemours and Company, the Corporation has agreed to neither declare nor pay any new dividends.

**Available funding:** We maintain operating lines of credit of $67 million and an authorized commercial paper program of $250 million. The Company's AA (low) bond rating and the R-1 (middle) commercial paper rating have been confirmed by the Dominion Bond Rating Service (DBRS). In light of its current cash position, the Company does not anticipate any need for debt funding in 2003.

**Cash Flow from Operations**
(millions $)




**Expenditures on Property, Plant and Equipment, Net**
(millions $)



## Consolidated Statements of Earnings and Retained Earnings

| Years Ended December 31 (in thousands except per share) | 2002 | 2001 |
|---|---|---|
| **Net sales** | **$ 2 468 430** | $ 2 191 144 |
| Interest and other income | **15 632** | 43 270 |
| | **2 484 062** | 2 234 414 |
| Cost of goods sold and other operating charges | **1 827 906** | 1 659 284 |
| Selling, general and administrative expenses | **182 763** | 160 938 |
| Depreciation and amortization | **92 738** | 82 122 |
| Research and development expenses (Note 2) | **17 593** | 11 667 |
| | **2 121 000** | 1 914 011 |
| **Earnings before income taxes and minority interest** | **363 062** | 320 403 |
| Income taxes (Note 3) | | |
| Current | **122 179** | 92 563 |
| Future | **(5 318)** | 5 903 |
| | **116 861** | 98 466 |
| **Net earnings before minority interest** | **246 201** | 221 937 |
| **Minority interest** | **1 308** | (382) |
| **Net earnings** | **$ 247 509** | $ 221 555 |
| **Basic earnings per share** (Note 4) | **$ 0.89** | $ 0.80 |
| **Diluted earnings per share** | **$ 0.88** | $ 0.79 |
| **Dividends declared per share** | **$ 0.40** | $ 0.37 |
| **Retained earnings at beginning of year** | **$ 1 543 723** | $ 1 439 586 |
| Net earnings | **247 509** | 221 555 |
| Dividends declared | **(111 589)** | (104 022) |
| Excess of consideration paid over stated capital of common shares repurchased (Note 5) | **(34 002)** | (13 396) |
| **Retained earnings at end of year** | **$ 1 645 641** | $ 1 543 723 |

The accompanying Notes form an integral part of these consolidated financial statements.

## Consolidated Balance Sheets

| **Assets** As at December 31 (in thousands) | 2002 | 2001 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | **$ 456 010** | $ 790 024 |
| Note receivable | – | 35 000 |
| Accounts receivable | **407 097** | 357 990 |
| Income taxes recoverable | – | 5 649 |
| Inventories: | | |
| Finished goods and work in process | **203 040** | 183 680 |
| Raw materials and supplies | **73 269** | 48 397 |
| Prepaid expenses | **6 677** | 6 990 |
| Future income taxes (Note 3) | **23 306** | – |
| | **1 169 399** | 1 427 730 |
| **Property, plant and equipment** (Note 6) | **819 890** | 715 083 |
| **Future income taxes** (Note 3) | **5 820** | 5 660 |
| **Goodwill** | **259 564** | 15 409 |
| **Intangible assets** (Note 7) | **143 521** | 2 142 |
| **Deferred pension** (Note 8) | **65 549** | 48 785 |
| **Other assets** | **18 617** | 16 194 |
| | **$ 2 482 360** | $ 2 231 003 |
| **Liabilities and Shareholders' Equity** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | **$ 392 742** | $ 352 329 |
| Income taxes | **13 616** | – |
| Dividends | **27 870** | 27 862 |
| | **434 228** | 380 191 |
| **Long-term obligations** | | |
| Post-retirement benefits other than pension (Note 8) | **70 368** | 68 462 |
| Other | **13 491** | 14 189 |
| | **83 859** | 82 651 |
| **Future income taxes** (Note 3) | **149 649** | 78 241 |
| **Minority interest** | **1 080** | 2 388 |
| **Shareholders' equity** | | |
| Capital stock (Note 5) | **162 825** | 143 809 |
| Cumulative translation adjustment | **5 078** | – |
| Retained earnings | **1 645 641** | 1 543 723 |
| | **1 813 544** | 1 687 532 |
| | **$ 2 482 360** | $ 2 231 003 |

Commitments and contingent liabilities are reported in Note 12.

The accompanying Notes form an integral part of these consolidated financial statements.

Approved by the Board:

Wendy Dobson

**Wendy K. Dobson**
Chair, Audit Committee

Dave Colcleugh

**Dave W. Colcleugh**
Chairman of the Board

## Consolidated Statements of Cash Flows

| **Cash Flows From (Used in)** Years Ended December 31 (In thousands) | **2002** | 2001 |
|---|---|---|
| **Operating activities** | | |
| Net earnings | **$ 247 509** | $ 221 555 |
| Non-cash items in earnings statement: | | |
| Depreciation and amortization | **92 738** | 82 122 |
| Future income taxes | **(5 318)** | 5 903 |
| Minority interest | **(1 308)** | 382 |
| Net change in non-cash working capital (Note 9) | **(23 920)** | 625 |
| Pension and other post-retirement benefits | **(14 858)** | (30 499) |
| Other | **(334)** | (1 352) |
| | **294 509** | 278 736 |
| **Investing activities** | | |
| Property, plant and equipment, net | **(78 262)** | (81 060) |
| Acquisition of a company (Note 10) | **(423 930)** | (10 578) |
| Other | **(85)** | (6 686) |
| | **(502 277)** | (98 324) |
| **Financing activities** | | |
| Issue of common shares | **19 720** | 16 552 |
| Purchase of common shares | **(34 706)** | (13 751) |
| Dividends to shareholders | **(111 589)** | (104 022) |
| | **(126 575)** | (101 221) |
| **Effect of exchange rate changes on cash and cash equivalents** | **329** | – |
| **Change in cash and cash equivalents** | **(334 014)** | 79 191 |
| **Cash and cash equivalents at beginning of year** | **790 024** | 710 833 |
| **Cash and cash equivalents at end of year** | **$ 456 010** | $ 790 024 |

The accompanying Notes form an integral part of these consolidated financial statements.

## Risks and Uncertainties

### Foreign Currency

The Company's foreign exchange exposure continues to increase. In 2002, approximately 54 per cent of our total sales were generated from outside Canada (primarily the United States) compared to 49 per cent in 2001. Portions of foreign-denominated cash inflows are naturally hedged by outflows in the same currencies for materials, operations and additions to capital assets. Our practice is to net U.S. dollar revenues and liabilities (our primary foreign currency exposure) to determine our U.S. dollar exposure at any point in time. The company enters into forward contracts to manage its residual net exposure to changes in exchange rates. At December 31, 2002, there were contracts outstanding to sell US$9 million. The net unrealized gain or loss on these contracts was not significant at year-end. The Company does not hedge to protect the translated results of its foreign operations.

### Cyclicality

Historically, many of the markets served by the Company have tended to be cyclical in nature. Changes in economic circumstances within the Company's markets may impact demand and the Company's earnings in any of its markets. The Company's broad customer base, its premium product portfolio and its strategy of diversification in different industries and, increasingly, geographic regions are intended to generate new revenue sources and reduce cyclical risk associated with individual markets.

### Environmental

DuPont Canada's environmental activities include ongoing risk assessment programs and compliance with the Responsible Care® program sponsored by the Canadian Chemical Producers' Association. The expenses related to environmental initiatives are reflected in the financial results. On the basis of our extensive audit program, management is not aware of any significant potential liabilities; therefore no costs have been accrued for future environmental remediation activities.

### Global DuPont Transformation

As previously announced E.I. du Pont de Nemours and Company (E.I. du Pont) intends to pursue the separation of its global Textiles & Interiors ("T&I") business during 2003 and is considering all of its options in relation to such global separation, including a sale of the T&I business to a third party or an initial public offering of the global T&I business.

On March 19, E.I. du Pont and DuPont Canada announced that E.I. du Pont proposed to make an offer to acquire all of the common shares of DuPont Canada not owned by E.I. du Pont or its affiliates at a price of $21.00 per common share in cash. This amounts to an approximately Cdn. $1.4 billion share purchase based on the current outstanding shares. The Board of Directors of DuPont Canada recommended that the minority shareholders accept this offer. In making its recommendation, the Board received the unanimous recommendation of a Special Committee of the Board (comprised of the independent directors of DuPont Canada) which had reviewed the Offer and received advice from TD Securities, its independent financial advisor.

E.I. du Pont's materials relating to the offer and the related DuPont Canada directors' circular were mailed to DuPont Canada shareholders on April 17.

In the context of its offer, E.I. du Pont has advised that it had from time to time received inquiries from, and has had preliminary discussions with third parties concerning the potential sale of all or a portion of the global T&I business and is currently in negotiations with a third party regarding the possible sale of the global T&I business. There can be no assurance that any such discussions will continue, that any such sale efforts will be successful or, if successful, of the terms, conditions, or timing of any potential transaction. E.I. du Pont continues to explore all available alternatives with respect to the separation of the global T&I business, including a third party sale or an initial public offering.

The offering materials contain a description prepared by E.I. du Pont of its plans for DuPont Canada. In that context, if E.I. du Pont is not successful in acquiring indirectly 100% of the outstanding shares of DuPont Canada, E.I. du Pont has stated that it intends to transfer its current indirect share ownership in DuPont Canada to the global T&I business enterprise in connection with the global separation, whether such separation occurs as a sale, an initial public offering or otherwise. With regard to the T&I business of DuPont Canada following such ownership transfer, E.I. du Pont expects that the global T&I business enterprise and DuPont Canada would conduct business with each other directly with the ultimate business arrangements between them being a function of the global T&I business strategy. With regard to the non-T&I business operations of DuPont Canada following such ownership transfer, E.I du Pont expects that it and DuPont Canada would continue to conduct business directly with each other consistent with past practices.

If permitted by applicable law, subsequent to the completion of the offer and a compulsory acquisition or any subsequent acquisition transaction, if necessary, E.I. du Pont has stated that it intends to delist the common shares of DuPont Canada from the Toronto Stock Exchange and, if there are fewer than 15 securityholders of DuPont Canada in any province, to cause DuPont Canada to cease to be a reporting issuer under the securities laws of each such province.

For full details of the offer, see the offering materials (a copy of which is available on DuPont Canada's website).

The DuPont Canada directors' circular relating to the offer sets forth the reasons for the recommendation by DuPont Canada's Board of Directors to accept E.I du Pont's offer. See "Recommendations of the Special Committee and the Board" in the directors' circular (a copy of which is also posted on DuPont Canada's website).

## Responsibilities for Financial Reporting

The consolidated financial statements of DuPont Canada Inc. and its subsidiaries and all information in the annual report are the responsibility of management. Financial information contained elsewhere in the annual report is consistent with that shown in the financial statements.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and necessarily include some amounts that are based on management's best estimates and judgements.

Management maintains a system of internal control designed to provide reasonable assurance as to the reliability of the financial records and the safeguarding of assets. Employees are required to maintain the highest standards of personal and business integrity in their conduct of company affairs. An internal audit unit reviews and evaluates the accounting records and the related system of internal control on an ongoing basis, and reports its findings and recommendations to management and to the Audit Committee.

The Board has established an Audit Committee and appoints a majority of its members from outside directors. This committee reviews the consolidated financial statements with management and the external auditors prior to submission to the Board for approval, as well as the recommendations of the external and internal auditors for improvements in internal controls and the action of management to implement such recommendations.

PricewaterhouseCoopers LLP, Chartered Accountants, are responsible for performing an independent audit of the consolidated financial statements in accordance with Canadian generally accepted auditing standards and for expressing an opinion on the statements. Their report follows.

February 14, 2003

Dave Colcleugh

**Dave W. Colcleugh**
Chairman of the Board

**William F. Matthews**
Vice-President and
Chief Financial Officer

## Auditors' Report

To the Shareholders, DuPont Canada Inc.

We have audited the consolidated balance sheets of DuPont Canada Inc. as at December 31, 2002 and 2001 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

**Chartered Accountants**
Mississauga, Ontario
February 14, 2003

## Note 1 – Summary of Significant Accounting Policies

### Basis of Consolidation

DuPont Canada Inc. is incorporated under the Canada Business Corporations Act. These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and include the accounts of DuPont Canada Inc. and its subsidiaries (the company). All dollar figures are reported in Canadian dollars.

### Revenue Recognition

The company recognizes revenue when title is transferred to the customer in accordance with the terms of the sale agreement. Accruals are made for sales returns and allowances based on the company's experience. Revenue is reduced for sales incentives at the time of recognition.

### Cash Equivalents

Cash equivalents include investments with maturities of six months or less from the time of purchase and short-term loans with its major shareholder E.I. du Pont de Nemours and Company and its affiliates that are receivable on demand.

### Inventories

Inventories are carried at the lower of average cost and net realizable value. The cost of finished goods inventories is based on material, direct labour and other costs relating to product conversion.

### Property, Plant and Equipment

Property, plant and equipment are carried at cost. Pre-production expenses related to manufacturing and interest on borrowings incurred in connection with new facilities are charged to expense as incurred.

Depreciation is provided based on the estimated useful life of assets. The straight-line method is used. Buildings are depreciated over 25 years, while equipment is depreciated over 15 years. Depreciation is not charged on new assets until they become operative.

### Goodwill and Intangible Assets

Effective January 1, 2002, the company adopted, on a prospective basis, the new recommendations of the Canadian Institute of Chartered Accountants relating to goodwill and other intangible assets. These new recommendations require intangible assets with an indefinite life and goodwill to be tested for impairment on an annual basis. Goodwill and indefinite-lived intangible assets will no longer be amortized. As of the date of adoption, the company had unamortized goodwill in the amount of $15 409. Amortization expense related to goodwill was $1 213 for 2001. Intangible assets with a finite life will continue to be amortized over their useful lives. The straight-line method is used. Amortization periods range from 5 to 20 years.

The company evaluates the carrying value of goodwill and indefinite-lived intangible assets through an evaluation process that compares the fair value of a reporting unit with its carrying value. An impairment in the value of these assets is written off against earnings in the year it is recognized.

### Foreign Currency Translation

Except for self-sustaining foreign operations, assets and liabilities denominated in foreign currencies are all monetary and are translated to Canadian dollars at exchange rates in effect at the balance sheet date or the rates established by forward exchange contracts. Revenues and expenses in foreign currencies are translated to Canadian dollars at rates which approximate the exchange rates at the dates of the transactions. Exchange gains and losses arising on these transactions are included in net earnings for the year.

The majority of the company's foreign subsidiaries are self-sustaining and are translated using the current rate method. Under this method, assets and liabilities of these subsidiaries are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. Cumulative gains and losses arising from translation are recorded as a separate component of shareholders equity until there is a reduction in the net investment in these foreign operations, at which time an appropriate amount is included in the determination of net income.

**Research and Development**

Research costs are expensed in the period in which they are incurred. Development costs are also expensed unless they are significant and meet generally accepted criteria for deferral. Costs are reduced by government assistance in the form of investment tax credits and other funding where applicable, and reimbursements from affiliates. Government assistance related to the acquisition of property, plant and equipment used for R&D is credited against the related asset.

**Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and use assumptions that affect certain reported amounts. Actual amounts could differ from those estimates.

**Financial Instruments**

The carrying value of cash and cash equivalents, note receivable, accounts receivable, accounts payable and accrued liabilities, income taxes and dividends approximates fair value due to the relatively short-term maturities of these instruments.

The company does not have any significant concentration of credit with parties other than E.I. du Pont de Nemours and Company and affiliates.

The company enters into forward contracts to manage its exposure to changes in exchange rates related to monetary assets and liabilities and expected future transactions denominated in currencies other than the Canadian dollar. At December 31, 2002, the company had contracts outstanding to purchase US$0 and sell US$9 000. Unrealized gains and losses on these contracts are deferred and are included in the measurement of the related transactions when they occur.

**Stock Based Compensation**

Effective January 1, 2002, the company adopted, on a prospective basis, the new recommendations of the Canadian Institute of Chartered Accountants relating to stock-based compensation. Under these new recommendations, the company has adopted the intrinsic value method, and is required to disclose pro forma net income and pro forma earnings per share, as if the fair value based method of accounting had been used to account for these stock-based awards.

**Income Taxes**

Income taxes are accounted for using the liability method whereby future income taxes arise from differences between the book value of assets and liabilities and their respective tax bases, using enacted or substantively enacted income tax rates, expected to be in effect for the years in which the differences are expected to reverse.

## Note 2 – Research and Development Expenses

| | | 2002 | 2001 |
|---|---|---|---|
| Research and development expenses include: | | | |
| Gross expenditures on research and development | | $ 53 951 | $ 45 144 |
| Less: | Reimbursements from affiliates | 25 648 | 25 137 |
| | Investment tax credits | 8 767 | 7 177 |
| | Other government assistance | 1 943 | 1 163 |
| | | $ 17 593 | $ 11 667 |

During the year, the company accrued or received $2 078 (2001 – $1 298) from the federal government under the Technology Partnerships Canada (TPC) Program, $1 943 (2001 – $1 163) of which was credited to income and $135 (2001 – $135) was netted against property, plant and equipment. Contributions under this Program are to be used in the development of fuel cell technology. Over the next two years, a further $13 983 in contributions may be received. Royalties, to a maximum of $28 500, may become payable to TPC commencing in the year in which gross revenue from the sale of fuel cell products reaches $50 000.

## Note 3 – Income Taxes

| | 2002 | 2001 |
|---|---|---|
| The company's effective income tax rate consists of: | | |
| Combined basic Canadian federal and provincial income tax rate | 39.8% | 40.0% |
| Increase (decrease) in the income tax rate resulting from: | | |
| Manufacturing and processing allowance | (7.3) | (6.9) |
| Federal income tax surcharge and large corporation tax | 1.1 | 1.1 |
| Rate reduction for future income taxes | (0.5) | (2.7) |
| Other | (0.9) | (0.8) |
| Effective income tax rate | 32.2% | 30.7% |

Future income taxes are applicable to the following temporary differences:

| | 2002 | 2001 |
|---|---|---|
| Post-retirement benefits | $ 21 515 | $ 20 328 |
| Profit sharing | 4 005 | 4 341 |
| Other accruals | 5 756 | 1 153 |
| Operating losses carry forward – up to 20 years | 13 948 | – |
| Operating losses carry forward – up to 7 years | 4 702 | 4 609 |
| Depreciable capital assets | (103 558) | (87 498) |
| Intangibles | (51 256) | – |
| Pension | (20 039) | (15 046) |
| Other | 4 404 | (468) |
| | $ (120 523) | $ (72 581) |

## Note 4 – Earnings per Share

Basic earnings per share is calculated using the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated to reflect the dilutive effective of the exercise of the stock options as disclosed in Note 5. Diluted earnings per share is determined using the treasury stock method under which deemed proceeds on the exercise of options are considered to be used to re-acquire common shares at the average share price for the period.

The calculation of earnings per share is as follows:

| | | **2002** | | | | 2001 | | |
|---|---|---|---|---|---|---|---|---|
| | | **Net Earnings** | **Shares** | | **$/Share** | Net Earnings | Shares | | $/Share |
| Basic earnings per share | **$** | **247 509** | **278 916 960** | **$** | **0.89** | $ 221 555 | 278 385 377 | $ | 0.80 |
| Dilutive effect of options | | | **1 633 713** | | **0.01** | | 1 808 031 | | 0.01 |
| Diluted earnings per share | | | **280 550 673** | **$** | **0.88** | | 280 193 408 | $ | 0.79 |

Options to purchase 53 600 common shares at $26.05 to $28.00 (2001 – 750 common shares at $22.71) were outstanding during the year but were excluded from the calculation of diluted earnings per share because the exercise price of the options was greater than the average market price of the common shares.

## Note 5 – Capital Stock

| | **2002** | | | 2001 | | |
|---|---|---|---|---|---|---|
| | **Number of Shares** | | **Stated Capital** | Number of Shares | | Stated Capital |
| Unlimited authorized Class A common shares without nominal or par value | | | | | | |
| Beginning of year | **278 616 814** | **$** | **143 809** | 277 626 990 | $ | 127 613 |
| Issued during the year for cash: | | | | | | |
| – on exercise of options | **1 195 650** | | **12 806** | 1 184 250 | | 7 860 |
| – in respect of Performance Sharing | **288 048** | | **6 914** | 518 204 | | 8 692 |
| Shares purchased for cash and cancelled | **(1 401 850)** | | **(704)** | (712 630) | | (356) |
| End of year | **278 698 662** | **$** | **162 825** | 278 616 814 | $ | 143 809 |

The shares purchased for cash and cancelled were acquired pursuant to a normal course issuer bid. This allows the company to manage the dilutive effect of shares issued under the Employee Stock Option Plan and the Performance Sharing program.

The company has one Employee Stock Option Plan that was introduced in 1984. It is administered by the Human Resources and Corporate Governance Committee of the Board. A maximum of 35 094 081 shares have been authorized for this plan.

There are currently three ways to participate in the Stock Option Plan:

1. Senior employees qualify for grants based on a percentage of salary which vary from 15 per cent to 375 per cent depending upon the position of the employee and the company's financial performance during the year. The actual number of options granted in a year is determined by multiplying the salary by the grant percentage factor and dividing by the market price of common shares. Options are generally not transferable and expire no later than 10 years from the date granted. Option grants are considered annually. The Committee takes into account previous grants, position level, individual contributions and future managerial or professional potential when determining awards. Options vest in February of the following year.
2. Outside directors of the company may elect in advance to receive all or a part of their annual director's fee in the form of stock options. This option was first made available in 1998. Options vest in February of the following year.
3. A grant of 200 stock options priced at $24.00 per share was awarded to each DuPont Canada employee in January 2002. The grant is in celebration of Global DuPont's 200th anniversary and represents one option for each year since the founding of DuPont. Options vest on July 18, 2003.

The following table summarized the options outstanding at December 31, 2002:

| | Shares | Weighted-Average Exercise Price $/Share |
|---|---|---|
| Outstanding, beginning of year | 4 650 750 | $ 12.87 |
| Granted | 1 107 900 | 23.81 |
| Exercised or cancelled | 1 208 550 | 10.83 |
| Outstanding, end of year | 4 550 100 | 16.08 |
| Options exercisable, end of year | 3 453 300 | $ 13.63 |

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Outstanding Shares | Weighted-Average Remaining Years Contractual Life | Weighted-Average Exercise Price $/Share | Exercisable Shares | Weighted-Average Exercise Price $/Share |
| $4.49 – $6.26 | 449 550 | 1.3 | $ 5.84 | 449 550 | $ 5.84 |
| $8.69 – $12.80 | 841 750 | 4.1 | 10.93 | 841 750 | 10.93 |
| $13.58 – $16.33 | 705 300 | 6.0 | 15.02 | 705 300 | 15.02 |
| $16.67 – $17.83 | 1 442 750 | 7.6 | 16.89 | 1 442 750 | 16.89 |
| $19.15 – $22.98 | 364 950 | 8.9 | 22.72 | 13 950 | 19.59 |
| $24.00 – $28.00 | 745 800 | 9.0 | 24.25 | – | – |
| | 4 550 100 | 6.4 | $ 16.08 | 3 453 300 | $ 13.63 |

There were 1 107 900 options granted in the period from January 1, 2002 to December 31, 2002. The grant-date fair value of options awarded to directors and employees was $6 942. If director and employee options had been recorded at their fair value at the date of grant, pro forma net earnings attributable to common shareholders during 2002 would have been $242 236, which has an effect on earnings per share of $0.02 for 2002. These pro forma disclosures omit the effect of employee stock options granted before January 1, 2002.

The fair value of each option granted in the period is estimated at the date of grant using the Black Scholes option valuation model based upon the following assumptions: dividend yield – 1.4%, risk-free rate – 5.44%, expected average option term – 4.6 years, expected volatility – 25%. The weighted average fair value of options awarded was $6.33.

The company's Performance Sharing program is an incentive plan under which participants share in both the risks and rewards of the company's financial performance. Payments under the program may be taken in cash or company shares at the participant's option. Participants who select shares receive their dividends in shares. The costs associated with this program are expensed annually.

## Note 6 – Property, Plant and Equipment

| | **2002** | 2001 |
|---|---|---|
| Property, plant and equipment include the following: | | |
| Equipment | **$ 1 342 467** | $ 1 223 993 |
| Buildings | **281 430** | 266 166 |
| Construction in progress | **75 827** | 47 750 |
| Land | **9 444** | 7 525 |
| | **1 709 168** | 1 545 434 |
| Less: Accumulated depreciation | | |
| – equipment | **721 632** | 669 809 |
| – buildings | **167 646** | 160 542 |
| | **889 278** | 830 351 |
| | **$ 819 890** | $ 715 083 |

At December 31, 2002 $52 929 (2001 – $57 306) remained unexpended on authorized capital appropriations.

## Note 7 – Intangible Assets

| Intangible Assets | Amortization Period | | December 31, 2002 Cost | Accumulated Amortization | | Net | | December 31, 2001 Cost | Accumulated Amortization | | Net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Finite-lived** | | | | | | | | | | | |
| Customer relationships | 15 years | **$** | **67 446** | **2 649** | **$** | **64 797** | $ | – | – | $ | – |
| Technology | 15–20 years | | **47 631** | **1 574** | | **46 057** | | 2 251 | 109 | | 2 142 |
| Other | 5 years | | **9 369** | **1 104** | | **8 265** | | – | – | | – |
| Total | | **$** | **124 446** | **5 327** | **$** | **119 119** | $ | 2 251 | 109 | $ | 2 142 |
| **Indefinite-lived** | | | | | | | | | | | |
| Trade name | | **$** | **22 950** | **–** | **$** | **22 950** | $ | – | – | $ | – |
| Total intangible assets | | **$** | **147 396** | **5 327** | **$** | **142 069** | $ | 2 251 | 109 | $ | 2 142 |
| Cumulative translation adjustment | | | | | | **1 452** | | | | | – |
| Net intangible assets | | | | | **$** | **143 521** | | | | $ | 2 142 |

Amortization for 2002 was $5 218 (2001 – $105). Additions to finite-lived intangible assets were $122 194 (2001 – $2 115). Additions to indefinite-lived intangible assets were $22 951 (2001 – nil).

## Note 8 – Pensions and Other Post-Retirement Benefits

**Pensions**

The company has a defined benefit pension plan covering substantially all employees. While employees are not required to contribute under the plan, optional contributions are permitted for the purchase of certain ancillary benefits.

The cost of pension benefits related to employees' current service is determined and charged to earnings annually. This expense is computed on an actuarial basis using the projected benefit method and management's best estimates for expected plan investment performance, salary escalation and other factors. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment. The excess of the net actuarial gain (loss) over 10 per cent of the greater of the accrued benefit obligation and the fair value of plan assets are amortized over the average remaining service period of the active employees.

The company contributes to the pension plan in accordance with regulatory requirements based on the latest actuarial valuations of the plan. The cumulative difference between amounts expensed and the company's funding contributions is included in the balance sheet.

### Other Post-Retirement Benefits

The company provides post-retirement benefits including medical and life insurance benefits for pensioners and survivors. These benefits are accounted for on an accrual basis. The expected costs of the employees' post-retirement benefits are expensed during the years that the employees render services and an accumulated post-retirement benefit obligation is recognized. The obligation is determined by application of the terms of the plans together with relevant actuarial assumptions.

Summarized information on the company's post-retirement plans is as follows:

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| Accrued Benefit Obligations: | | | | |
| Balance, beginning of year | **$ 787 925** | $ 748 203 | **$ 83 625** | $ 82 044 |
| Current service cost | **17 351** | 16 797 | **919** | 886 |
| Interest cost | **53 639** | 52 887 | **5 688** | 5 811 |
| Benefits paid | **(55 584)** | (52 631) | **(6 187)** | (6 165) |
| Actuarial losses/(gains) | **50 775** | 1 803 | **2 035** | (1 811) |
| Plan amendments | **–** | 20 866 | **1 437** | 2 860 |
| Balance, end of year | **$ 854 106** | $ 787 925 | **$ 87 517** | $ 83 625 |
| Plan Assets: | | | | |
| Fair value, beginning of year | **$ 754 541** | $ 814 059 | **$ –** | $ – |
| Actual return on plan assets | **(51 980)** | (38 534) | **–** | – |
| Employer contributions | **17 229** | 30 759 | **–** | – |
| Employee contributions | **1 536** | 888 | **–** | – |
| Benefits paid | **(55 584)** | (52 631) | **–** | – |
| Fair value, end of year | **$ 665 742** | $ 754 541 | **$ –** | $ – |
| Funded status, end of year | **$ (188 364)** | $ (33 384) | **$ (87 517)** | $ (83 625) |
| Unamortized net transition obligation/(asset) | **(69 180)** | (74 945) | **18 446** | 19 982 |
| Unamortized prior service costs | **18 316** | 19 707 | **4 021** | 2 805 |
| Unamortized net actuarial gain/(loss) | **304 777** | 137 407 | **(5 318)** | (7 624) |
| Accrued benefit asset/(liability) | **$ 65 549** | $ 48 785 | **$ (70 368)** | $ (68 462) |

The significant assumptions adopted in measuring the company's accrued benefit obligations, as of December 31, are as follows:

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| Discount rate | **6.75%** | 7.00% | **6.75%** | 7.00% |
| Expected long-term rate of return on plan assets | **8.15%** | 8.15% | **NA** | NA |
| Rate of compensation increase | **4.25%** | 4.25% | **4.25%** | 4.25% |

The company's net benefit plan (income)/expense is comprised as follows:

| | Pension Benefits | | Other Benefits | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| Current service cost | **$ 17 351** | $ 16 797 | **$ 919** | $ 886 |
| Interest cost | **53 639** | 52 887 | **5 688** | 5 811 |
| Expected return on plan assets | **(64 615)** | (65 850) | **–** | – |
| Amortization of transitional obligation | **(5 765)** | (5 765) | **1 537** | 1 537 |
| Employee contributions | **(1 536)** | (888) | **–** | – |
| Amortization of prior service costs | **1 391** | 1 159 | **220** | 55 |
| Other | **–** | – | **(271)** | (202) |
| Net benefit plan (income)/expense | **$ 465** | $ (1 660) | **$ 8 093** | $ 8 087 |

## Note 9 – Financial Information Included in the Consolidated Statements of Cash Flows

| | **2002** | 2001 |
|---|---|---|
| Net change in non-cash working capital | | |
| Note receivable | **$ 35 000** | $ (35 000) |
| Accounts receivable | **(19 777)** | 45 674 |
| Income taxes | **19 265** | (6 520) |
| Inventories | **(20 758)** | 2 209 |
| Prepaid expenses | **254** | (1 134) |
| Accounts payable and accrued liabilities | **(37 914)** | (12 105) |
| Dividends | **8** | 7 503 |
| Other | **2** | (2) |
| | **$ (23 920)** | $ 625 |
| Income taxes paid | **$ 92 463** | $ 84 815 |

## Note 10 – Acquisition of a Company

Effective May 31, 2002, the company purchased the outstanding common shares of Liqui-Box Corporation, a company involved in the liquid packaging business, for total cash consideration of $442 332. The business assets included $18 402 in cash for a net cash outlay of $423 930. The acquisition has been accounted for by the purchase method and the results of operations, from the date of acquisition, are included in the consolidated statement of earnings.

This business is included in the Specialty Polymers and Films industry segment (Note 13). Asset evaluation was completed in the fourth quarter. The allocation of the purchase price is as follows:

| | |
|---|---|
| Accounts receivable | $ 25 809 |
| Inventories | 23 158 |
| Future income taxes – current | 20 620 |
| Property, plant and equipment | 112 924 |
| Intangible assets | |
| Customer relationships | 67 446 |
| Technology | 44 340 |
| Trade name | 22 950 |
| Other | 9 369 |
| Other assets | 3 691 |
| Goodwill | 241 680 |
| Current liabilities | (74 725) |
| Future income taxes – long-term | (73 332) |
| Net identifiable assets acquired | $ 423 930 |

## Note 11 – Transactions with Affiliates

In the normal course of business, the company had transactions and account balances with E.I. du Pont de Nemours and Company and its affiliates as summarized below. Trade terms with affiliates are generally 90 days. All transactions are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.

| | **2002** | 2001 |
|---|---|---|
| Sales | **$ 1 093 871** | $ 945 198 |
| Purchases – for consumption and resale | **1 017 973** | 904 437 |
| Interest income | **–** | 9 874 |
| Dividends | **85 036** | 79 367 |
| Reimbursement of R&D expenditures | **25 648** | 25 137 |
| Accounts receivable | **225 590** | 199 895 |
| Accounts payable and accrued liabilities | **236 995** | 182 641 |

## Note 12 – Commitments and Contingent Liabilities

The company's future minimum lease payments under operating leases are as follows:

| Years ending December 31 | |
|---|---|
| – 2003 | $ 10 211 |
| – 2004 | 7 560 |
| – 2005 | 5 826 |
| – 2006 | 3 545 |
| – 2007 | 2 360 |
| Remainder | 17 191 |
| | $ 46 693 |

The company has no capital leases.

The company is subject to various lawsuits and claims arising out of the normal course of business. In the opinion of company counsel, any liabilities resulting from such lawsuits and claims would not materially affect the financial position or results of operations of the company.

## Note 13 – Industry Segment Information

The company's business units are organized by product line. These product lines have been aggregated into five principal segments. Major products by segment include: Nylon Enterprise (flooring systems, textiles, industrial fibres and nylon intermediates); Performance Coatings and Polymers (automotive finishes, engineering polymers and elastomers); Specialty Fibres (LYCRA® elastane yarn, Dacron®, nonwovens and aramids); Specialty Materials (crop protection products, Titanium Technologies, specialty chemicals, safety products and fluorochemicals) and Specialty Polymers and Films (modified polymers, photopolymers, Butacite®, Zodiaq™ Quartz Surfaces and packaging films and systems). A significant portion of the company's sales are to E.I. du Pont de Nemours and Company and its affiliates. Approximately 54% (2001 – 49%) of total sales relate to international sales, 81% (2001 – 79%) of which are made to customers in the United States. Property, plant and equipment of $129 799, goodwill of $245 803, and intangible assets of $142 359 are located outside of Canada, $485 216 of which is in the United States.

The accounting policies of the segments are the same as those described in Note 1 to the consolidated financial statements. Segment sales include intra-segment sales. After-tax operating income does not include charges held at corporate, principally corporate administrative expenses, financing charges and miscellaneous amounts. Total segment assets include: current assets, property, plant and equipment, and other non-current operating assets of the segment.

| | Nylon Enterprise | Performance Coatings and Polymers | Specialty Fibres | Specialty Materials | Specialty Polymers and Films | Total(1) |
|---|---|---|---|---|---|---|
| **2002** | | | | | | |
| Total segment sales | **$ 823 115** | **$ 561 326** | **$ 211 532** | **$ 344 497** | **$ 544 036** | **$ 2 484 506** |
| Intra-segment sales | **114** | **64** | **91** | **8 350** | **7 457** | **16 076** |
| Net sales | **823 001** | **561 262** | **211 441** | **336 147** | **536 579** | **2 468 430** |
| After-tax operating income | **106 194** | **53 165** | **21 227** | **14 719** | **35 517** | **230 822** |
| Provision for income taxes | **55 933** | **28 002** | **11 181** | **9 234** | **18 840** | **123 190** |
| Goodwill and intangible assets | **–** | **–** | **–** | **2 995** | **399 090** | **402 085** |
| Total segment assets | **653 628** | **173 786** | **68 561** | **118 057** | **822 671** | **1 836 703** |
| Expenditures on property, plant and equipment, net | **26 194** | **4 438** | **1 375** | **2 143** | **27 495** | **61 645** |
| Depreciation and amortization | **44 461** | **5 687** | **3 435** | **5 978** | **24 101** | **83 862** |
| Goodwill acquired | **–** | **–** | **–** | **–** | **241 680** | **241 680** |
| Intangibles assets acquired | **–** | **–** | **–** | **39** | **144 105** | **144 144** |
| 2001 | | | | | | |
| Total segment sales | $ 769 326 | $ 501 417 | $ 216 020 | $ 323 799 | $ 394 797 | $ 2 205 359 |
| Intra-segment sales | 59 | – | 116 | 8 397 | 5 643 | 14 215 |
| Net sales | 769 267 | 501 417 | 215 904 | 315 402 | 389 154 | 2 191 144 |
| After-tax operating income | 65 808 | 42 620 | 22 773 | 18 447 | 23 741 | 173 389 |
| Provision for income taxes | 36 283 | 23 458 | 12 535 | 9 837 | 15 644 | 97 757 |
| Goodwill and intangible assets | – | – | – | 2 969 | 14 582 | 17 551 |
| Total segment assets | 651 586 | 155 695 | 66 870 | 128 363 | 235 532 | 1 238 046 |
| Expenditures on property, plant and equipment, net | 32 314 | 5 394 | 1 665 | 4 543 | 10 353 | 54 269 |
| Depreciation and amortization | 44 234 | 6 628 | 3 413 | 6 390 | 12 546 | 73 211 |
| Goodwill acquired | – | – | – | – | 1 725 | 1 725 |
| Intangibles assets acquired | – | – | – | – | 2 098 | 2 098 |

(1) A reconciliation of the totals reported for the operating segments to the applicable line items on the consolidated financial statements is as follows:

| | 2002 | 2001 |
|---|---|---|
| **After-Tax Operating Income (ATOI) to Net Earnings** | | |
| Reportable segments | **$ 230 822** | $ 173 389 |
| Interest and other income | **10 441** | 31 711 |
| Corporate | **6 246** | 16 455 |
| Net earnings | **$ 247 509** | $ 221 555 |
| **Provision for Income Taxes** | | |
| Reportable segments | **$ 123 190** | $ 97 757 |
| Provision held in corporate | **(6 329)** | 709 |
| Income taxes | **$ 116 861** | $ 98 466 |
| **Goodwill and Intangible Assets** | | |
| Reportable segments | **$ 402 085** | $ 17 551 |
| Corporate | **1 000** | – |
| Total | **$ 403 085** | $ 17 551 |
| **Segment Assets** | | |
| Reportable segments | **$ 1 836 703** | $ 1 238 046 |
| Cash and cash equivalents | **456 010** | 790 024 |
| Corporate | **189 647** | 202 933 |
| Total | **$ 2 482 360** | $ 2 231 003 |
| **Expenditures on Property, Plant and Equipment, Net** | | |
| Reportable segments | **$ 61 645** | $ 54 269 |
| Corporate | **16 617** | 26 791 |
| Total | **$ 78 262** | $ 81 060 |
| **Depreciation and Amortization** | | |
| Reportable segments | **$ 83 862** | $ 73 211 |
| Corporate | **8 876** | 8 911 |
| Total | **$ 92 738** | $ 82 122 |

## Note 14 – Comparative Amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.

# Corporate Directory

## Board of Directors
(as of February 25, 2003)

**Dave W. Colcleugh**
Chairman of the Board
DuPont Canada Inc.
Director since November 1997

**Doug Muzyka**
President and CEO,
DuPont Canada Inc.
Director since May 2002

**Wendy K. Dobson**
Professor and Director,
Institute for International Business
Rotman School of Management,
University of Toronto.
Director since November 1989

**L. Yves Fortier, C.C., Q.C.**
Chairman and Senior Partner,
Ogilvy Renault
Director since February 1992

**J. Erik Fyrwald**
Vice-President and General Manager,
Nutrition and Health
E.I. du Pont de Nemours
and Company
Director since May 1999

**Peter S. Janson**
Company Director
Director since November 2000

**Hon. Gordon F. Osbaldeston, P.C., C.C.**
Professor Emeritus,
Ivey School of Business,
University of Western Ontario
Director since January 1987

**Hartley T. Richardson**
President and CEO,
James Richardson and Sons Ltd.
Director since April 1997

**Mathieu Vrijsen**
President,
DuPont Europe, Middle East and Africa
Director since August 2002

## Board Committees

**Audit Committee**
Wendy K. Dobson, Chair
L. Yves Fortier
J. Erik Fyrwald
Peter S. Janson
Hon. Gordon F. Osbaldeston
Hartley T. Richardson

This committee has overall responsibility for reviewing financial statements of the corporation, accounting principles used in financial reporting, the adequacy of internal controls and relations with external auditors. It meets three times a year in person and four times by conference call to review quarterly reports.

**Pension Committee**
Peter S. Janson, Chair
Dave W. Colcleugh
Hartley T. Richardson

The responsibility of the Pension Committee is to ensure that pension plan liabilities of the Corporation are secure and assets are managed prudently and effectively.

**Human Resources and Corporate Governance Committee**
Hon. Gordon F. Osbaldeston, Chair
Wendy K. Dobson
L. Yves Fortier
Peter S. Janson
Keith R. McLoughlin
Hartley T. Richardson

This committee reviews and approves the compensation of executives, reviews management succession planning and compensation and benefits policy and strategy. It also assesses the performance of individual directors, proposes new nominees to the board, and develops and monitors the corporation's approach to corporate governance. It meets four times a year.

**Business Council Members**
(as of January 1, 2003)

**Doug Muzyka***
President and
Chief Executive Officer

**James R. Barton***
Chief Operating Officer

**David K. Findlay***
Vice-President,
Corporate Development

**Arthur B. Heeney***
Vice-President,
Human Resources

**William F. Matthews***
Vice-President and
Chief Financial Officer

**Michael J. Oxley***
Treasurer and Director,
Finance

**Ash Sahi***
Vice-President,
President and
Chief Executive Officer
of Liqui-Box,
a DuPont Canada Company

**Seymour B. Trachimovsky***
General Counsel and
Corporate Secretary

**Ronald A. Zelonka***
Vice-President,
Technology and Innovation

**Eric P. Beyeler**
Business Director,
Engineering Polymers

**A.F. (Sandy) Cameron**
Business Director,
LYCRA®, Nylon Apparel, Dacron®
and Nylon Industrial Specialities

**Philip J. Duggan**
Business Director,
Entrepreneurial Growth
and Specialty Polymers

**R.F. (Rob) Eadie**
Business Director,
Titanium Technologies
and Marketing

**John R. Elder**
Business Director,
Aramids, Nonwovens
and Brookdale

**Richard C. Hill**
Business Director,
Nylon Intermediates,
Specialty Products and
Nylon Polymer

**Maryann G. Holloway**
Chief Information Officer
and Director,
Information Technology

**Jennifer Hooper**
Director,
Safety, Health, Security
and Environment

**Josée Lachance**
Director, Infrastructure

**John L. McEwan**
Business Director,
Flooring Systems

**James A. O'Connor**
Regional Manager P&IP
Sarnia Site Manager

**Gloria L. Pennycook**
Business Director,
Fluoroproducts,
Chemical Solutions Enterprises
and e-Business

**William J. Smith**
Business Director,
Performance Coatings

**Glen A. Wood**
Director,
Operations, Engineering
and Zodiaq™

**Sharon A. Zadorozny**
Business Director,
Agricultural Products

*Corporate Officers

## Shareholder Information

**Stock Listings**
Common Stock (DUP.A)
Valuation Day value $0.5625*
The Toronto Stock Exchange
*Restated to reflect 2-for-1 stock splits in 1984 and 1987, and the 3-for-1 stock split in 1994 and 2001.

**Auditors**
PricewaterhouseCoopers LLP
Mississauga Executive Centre
Suite 1100
1 Robert Speck Parkway
Mississauga, Ontario
L4Z 3M3

**Scheduled 2003**
**Financial Reporting Dates**
April 30, July 30, October 29

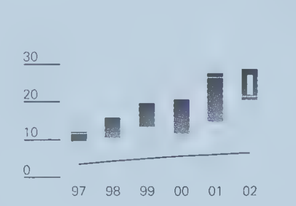
**Annual Meeting**
At the time of printing a meeting date had not been set.

**Information**
Seymour Trachimovsky
Corporate Secretary
Tel: (905) 821-5444
Fax: (905) 821-5651
or
Mike Oxley
Treasurer and Director, Finance
Tel: (905) 821-5320

**Correspondence**
Investor Relations
DuPont Canada Inc.
Box 2200, Streetsville
Mississauga, Ontario
L5M 2H3

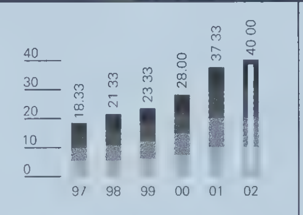
**Stock Transfer Agent and Registrar**
Inquiries regarding change of address, registered shareholdings, share transfers, lost certificates and dividend payments should be directed, as appropriate to:
Computershare Trust Company of Canada
100 University Ave. 11th Floor
Toronto, Ontario, Canada M5J 2Y1
Tel: (416) 981-9633
1-800-663-9097
Fax: (416) 981-9507

### Common Stock Trading Ranges
(dollars per share)



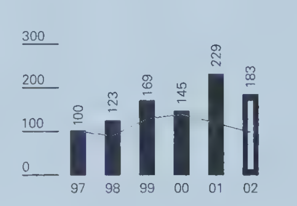

H gh
12.00 15.83 20.00 20.67 27.50 28.55
Low
9.67 10.50 13.33 11.67 14.67 20.53
Close
11 68 14 33 19.78 16.97 26 35 21.42
Book value, year end
3.50 4.34 4.98 5.64 6 06 6.51

### Common Stock Dividend Declarations
(cents per share)




4th quarter
5.33 5.33 6.00 7.33 10.00 10.00
3rd quarter
4.33 5.33 6.00 7.33 10.00 10.00
2nd quarter
4.33 5.33 6.00 7.33 10.00 10.00
1st quarter
4.33 5 33 5 33 6.00 7.33 10.00

### DUP. A Stock Price vs. S&P/TSX Composite Price Index
(levels set to 100
on December 31, 1997)




Dup. A
100 123 169 145 229 183
S&P/TSX Composite Price Index
100 97 126 133 115 99

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## Statement of Corporate Governance Practices

The Corporation's Human Resources and Corporate Governance Committee has the mandate to develop, review, plan and implement the Corporation's approach to corporate governance issues. As part of this mandate, the Committee reviews the Corporation's practices against the standards prescribed by the Toronto Stock Exchange. The Statement of Corporate Governance Practices below outlines the Corporation's approach to governance with specific reference to the relevant Guidelines of the Toronto Stock Exchange (the "TSX Guidelines"). Both the Committee and the Corporation's Board of Directors have determined that the practices and procedures in place are in compliance with the TSX Guidelines.

| **Guideline (adapted from TSX Guidelines)** | **DuPont Canada Practice** |
|---|---|
| *Stewardship of Board* *The Board of Directors should explicitly assume responsibility for the stewardship of the Corporation.* | The Corporation's Board of Directors has overall responsibility for the direction and stewardship of the Corporation. The management of the Corporation is responsible for the day-to-day operation of the business, for developing and implementing its strategic direction and for preparing budgets and business plans for consideration by, and approval of, the Board. The Board supervises management's activities and monitors its performance. Further, it is the mandate of the Board to review and approve the objectives of the Corporation and those of the CEO. Other decisions requiring Board approval include the adoption of strategic plans of the Corporation, senior management appointments, selection of candidates for election to the Board, and recommendations to shareholders on corporate matters and other activities of a strategic nature. |
| *The Board should assume responsibility for the following matters:* | |
| • *adoption of a strategic planning process* | Strategic planning is an iterative process. Management develops draft multi-year strategic plans which it presents annually to the Board at a third quarter meeting and on which it receives advice and feedback from the Board. Plans are reformulated on the basis of this input from the Board and the resulting strategic plan is re-submitted to the Board for its approval early in the following year. Plans are reviewed annually in the light of actual results and market conditions. |

| Guideline (adapted from TSX Guidelines) | DuPont Canada Practice |
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| • *identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate risk management systems* | As part of the strategic planning process described above, the Board, together with management identify and monitor the principal business risks of the Corporation. The Corporation develops plans to mitigate these risks and has established crisis management procedures which clearly delineate responsibilities and authority of senior management in the event of extraordinary occurrences. At each meeting of the Audit Committee, a business or functional manager leads a discussion with the Committee which addresses the primary risks associated with the particular business or function. These risks include, among other things, trends in product markets, security of raw material supply, input costs and foreign exchange exposure. The Audit Committee provides feedback and advice concerning mitigation of these primary risks. |
| • *succession planning including appointing, training and monitoring senior management* | The Corporation's Human Resources and Corporate Governance Committee reports to the Board on the appointment, training and monitoring of senior management. The composition of the senior management team and management succession plans are approved by the Board. |
| • *a communications policy for the Corporation* | Effective communication with its shareholders and other interested parties is important to the Corporation. The Corporation's senior officers are available to respond to inquiries by shareholders, the investing public, customers and employees and to ensure shareholder concerns are addressed. The Corporation strives to provide clear and accessible information on the Corporation and its operations and issues a number of press releases in the course of any year to keep its shareholders and other interested parties well-apprised of significant corporate developments. As part of this process, the Corporation's web-site is regularly updated with relevant corporate information including financial performance, product offerings, management changes, employee news, significant recognition awards, descriptions of corporate operations, the Corporation's Annual Report and Sustainable Growth Report and a variety of additional information of interest to investors and the public at large. |

| Guideline (adapted from TSX Guidelines) | DuPont Canada Practice |
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| • *the integrity of the Corporation's internal control and management information systems* | The Board receives reports from management on the Corporation's operations and holds management accountable for keeping it apprised of all significant developments affecting the Corporation and its businesses. The Board also receives regular reports from management on the Corporation's compliance with its legal obligations and on such matters as internal control procedures, information management systems, communications procedures and risk management policies and expects management to provide it with additional reports if extraordinary situations arise. |
| *Independence of the Board*<br>• *The Board should be constituted with a majority of unrelated directors.* | Each year, the Board analyses its membership to determine which directors are unrelated, including whether its directors are related to the Corporation's significant shareholder, based on the criteria contained in the TSX Guidelines. The Board considers in particular whether any business or other relationship between the Corporation and a director personally or an entity with which such director is in an employment relationship could, or could reasonably be perceived to, materially interfere with the director's judgment, including his ability to act with a view to the best interests of the Corporation. A specific threshold has not been set but each case is examined on its merits. Historically, any such business relationships are either not present or have not been considered material, as determined by the Board, and, accordingly, no serious issues have arisen in making this determination.<br><br>The Board has considered the relationship of each of the directors to the Corporation and has determined that all of the directors, except D.W. Colcleugh, the Chairman of the Corporation, and D.W. Muzyka, the Corporation's CEO, are "unrelated" within the meaning of the TSX Guidelines. None of the other members of the Board has a material business or other relationship with the Corporation, other than interests arising from shareholding. |

| **Guideline (adapted from TSX Guidelines)** | **DuPont Canada Practice** |
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| • *corporations with a significant shareholder are also to include a number of directors who do not have interests in or relationships with either the Corporation or the significant shareholder and which fairly reflects the investment in the Corporation by minority shareholders.* | E.I. du Pont de Nemours and Company, indirectly through a wholly owned subsidiary, is a significant shareholder of the Corporation. During 2002 three directors (J.E. Fyrwald, J.P. Jessup and K.R. McLoughlin) were officers of the significant shareholder. In August 2002, J.P. Jessup resigned from the Board and was replaced by M. Vrijsen who is an officer of a wholly-owned subsidiary of E.I. du Pont de Nemours and Company. With the resignation of K.R. McLoughlin in the first quarter of 2003, there are currently two directors who are officers of the significant shareholder.<br><br>Accordingly, five directors are not related to either the Corporation or the significant shareholder, being independent of both and having no material business relationship with either of them, except as arises through shareholding. The Board is satisfied that the composition of the Board fairly reflects the investment of minority shareholders in the Corporation given that less than one-quarter of the Corporation's shares are held by shareholders other than the significant shareholder. |
| *Nominating Committee*<br>• *new nominees to the Board and ongoing assessment of directors should be carried out by a nominating committee composed exclusively of outside (non-management) directors, a majority of whom are unrelated.* | The Human Resources and Corporate Governance Committee of the Board is composed exclusively of unrelated directors (and includes one officer of the significant shareholder), none of whom is a member of the Corporation's management team. This Committee has the responsibility for proposing to the full Board new nominees to the Board as well as the responsibility for assessing directors on an ongoing basis. The selection process is guided by the necessity, as a practical matter, of ensuring that the significant shareholder is reasonably represented on the Board and that other unrelated directors are able to contribute on the basis of their business, academic or government experience to the supervision of the Corporation's management. Within these overall parameters, retirements of nominees of the significant shareholder are filled by other officers thereof upon consultation with and approval by the Human Resources and Corporate Governance Committee. Turnover of other unrelated directors is extremely low; three out of five have held their positions for eight years or longer. When a vacancy on the Board arises, the Board identifies candidates with experience relevant to the operations of the Corporation and, through discussions with appropriate candidates, assesses their capabilities. |

| Guideline (adapted from TSX Guidelines) | DuPont Canada Practice |
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| *Assessing Board Effectiveness*<br>• *Implement a process for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors.* | The Human Resources and Corporate Governance Committee evaluates regularly the effectiveness of the Board in its entirety, taking into account the qualifications and contributions of each of the individual directors. The evaluation addresses, among other things, the size of the Board, the appropriate mix of related and unrelated directors, Committee structure, meeting frequency, information flow between management and the Board and adequacy of resources. |
| *Orientation and Training*<br>• *New recruits to the Board should be provided with an orientation and education program.* | The Corporation has various mechanisms by which both current and new directors are provided with background, education and orientation relating to the Corporation. These mechanisms include facility tours, management presentations and written materials, including a Directors' Handbook. Regular reports from management on the Corporation's activities and the industries in which it operates supplement these sources of information. In addition, the Board is kept abreast of legislative and regulatory developments concerning trends in corporate governance. |
| *Size of the Board*<br>• *The Board is to examine its size, ensure that such size facilitates effective decision-making and reduce the numbers of directors if necessary.* | Pursuant to its Articles of Continuance, the size of the Corporation's Board may vary from eight to sixteen directors. From time to time the Board of Directors examines its size taking into account its statutory and fiduciary responsibilities and the need to ensure rapid, effective, decision-making. As a consequence of such examination, it was decided in 1997 to reduce the size of the Board to eight directors. Subsequently, the size of the Board was increased during 2000 to nine directors, and an additional unrelated director was added to the Board. In 2002, an additional director was added, bringing the number to ten. In the first quarter of 2003 K.R. McLoughlin resigned from the Board and G.F. Osbaldeston will be retiring as of the date of the Annual and Special Meeting bringing the size of the Board back to eight. Through an on-going ad hoc evaluation, it has been found that a Board size of eight to ten engages all directors in vigorous discussion, on the one hand, and allows adequate resourcing of Committees on the other hand. |

| Guideline (adapted from TSX Guidelines) | DuPont Canada Practice |
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| *Compensation of Directors* | |
| • *The adequacy and form of compensation of directors should realistically reflect the responsibilities and risk involved in being an effective director.* | The adequacy and form of the compensation of directors is reviewed annually by the Human Resources and Corporate Governance Committee to ensure that it realistically reflects the responsibilities and risks involved in being a director and to ensure that it is competitive with boards of comparable corporations as determined by external surveys. Each director receives a flat retainer of $46 700 and is entitled to receive that amount entirely in cash or, at the election of any director, to receive its equivalent in stock options. The Board Chair and Committee Chairs each receive an additional stipend of $5 000 which they may also elect to take in stock options. Members of the Special Committee receive additional compensation as follows:<br>During 2002, each member of the Special Committee received a cash retainer of $12 500. During 2003, each member of the Committee will receive a cash retainer of $12 500 and the Chair will receive an additional stipend of $6 000. In Addition, each member will receive $1 000 for each meeting of the Special Committee attended by such member. If the need for the Committee continues beyond June, 2003, these amounts will be reviewed by the Board of Directors. |
| *Composition of Committees* | |
| • *Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated directors.* | There are three standing committees of the Board: the Audit Committee, the Human Resources and Corporate Governance Committee and the Pension Committee. The Pension Committee is new, having been struck early in 2003. The Audit Committee is comprised exclusively of unrelated directors (including an officer of the significant shareholder), none of whom is a member of the Corporation's management team. The Human Resources and Corporate Governance Committee and the Pension Committee each include one related director namely, the Corporation's former CEO and current Chairman, D.W. Colcleugh.<br><br>A Special Committee of the Board comprised of five directors, each of whom is an unrelated director and has no connection to the significant shareholder, was created in May 2002. The responsibilities of the Committee relate in general to the implications on the Corporation of the proposed re-structuring of the fibres and associated businesses announced in February 2002 by the Corporation's significant shareholder. |

| Guideline (adapted from TSX Guidelines) | DuPont Canada Practice |
|---|---|
| *Responsibility for Governance Issues* | |
| • *The Board should assume responsibility for, or assign to a committee of directors the general responsibility for, developing the Corporation's approach to governance issues.* | Through the Human Resources and Corporate Governance Committee, the Corporation's Board of Directors develops, reviews, plans and implements the Corporation's approach to corporate governance issues and monitors these issues. The Committee is also responsible for disclosing corporate governance practices to shareholders and members of the investing public. |
| *Position Description and Objectives* | |
| • *Develop, together with the CEO, position descriptions for the Board and for the CEO, involving the definition of the limits to management's responsibilities.* | The Human Resources and Corporate Governance Committee has developed position descriptions for the Board and the CEO of the Corporation which delineate the responsibilities of these persons. The descriptions are reviewed regularly to ensure they continue to meet legal and business standards. |
| • *Approve or develop the corporate objectives which the CEO is responsible for meeting.* | Corporate objectives are prepared by the CEO and senior management team and put for approval before the Human Resources and Corporate Governance Committee at the first Board meeting each year, normally in February. At the December meeting, progress against such objectives is reviewed and evaluated by the Committee and becomes the basis for CEO incentive compensation for that year. |
| *Independence from Management* | |
| • *Appropriate structures and procedures are required to ensure that the Board can function independently of management.* | The Corporation's Board has adopted effective mechanisms to ensure that it can function independently of management. The representation of unrelated directors on the Board and on Board committees provides independence of the Board from management. In addition, prior to the conclusion of each Board meeting, the Chairman and CEO are excused and the unrelated directors conduct an "in camera" session to address any issues which any member of the Board elects to raise independently of management. G.F. Osbaldeston, the Chair of the Human Resources and Corporate Governance Committee, and an unrelated director, is the Corporation's lead director and chairs these sessions. Additionally, the Chair of the Human Resources and Corporate Governance Committee meets periodically with the Chairman and CEO of the Corporation to discuss the performance of individual directors, the Board as a whole, and governance issues from a management perspective. |

| Guideline (adapted from TSX Guidelines) | DuPont Canada Practice |
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| *Audit Committee* | |
| • *The Committee should be composed only of outside directors.* | As noted above, the Corporation's Audit Committee is comprised exclusively of unrelated directors (including officers of the significant shareholder), none of whom is a member of the Corporation's management team. The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities relating to the quality, reliability and integrity of the Corporation's external financial reporting process, the adequacy of the Corporation's internal controls and the independence and performance of the Corporation's external auditors. |
| • *The Committee should have specifically defined roles and responsibilities.* | The Audit Committee has clearly identified roles and responsibilities including the approval of audited financial statements, reviewing interim financial reports, reviewing the Corporation's accounting principles and meeting with both internal and external auditors. The Committee has adopted a Charter setting forth its purpose, responsibilities, composition and meeting frequency. The Committee establishes objectives for itself and regularly monitors its progress toward completing such objectives. |
| • *The Committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate.* | Direct communication channels with both internal and external auditors are in place. Internal and external auditors attend all meetings of the Audit Committee and regularly assist the Committee with its responsibilities. At least once annually, the Committee meets in-camera with each of the internal and external auditors in order to verify that the Corporation's management and employees have cooperated fully in the conduct of internal and external audits. |
| • *The duties of the Committee should include oversight responsibility for management reporting on internal control.* | The Committee's oversight responsibility is implemented through a series of procedures, policy manuals and mechanisms prepared by management and approved by the Board to control, monitor and audit all functions related to internal control. |
| *Engaging Outside Advisors* | |
| • *Individual directors should be enabled to engage an outside advisor at the expense of the Corporation in appropriate circumstances, subject to the approval of an appropriate committee of the board.* | Any director who so desires is free to consult with the Chair of the Human Resources and Corporate Governance Committee at any time with the intention of engaging an outside advisor at the expense of the Corporation. In those circumstances, the matter would be reviewed with the full Board and, subject to approval by majority vote of unrelated directors, the director will be able to engage an outside advisor at the expense of the Corporation. |

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